

# Helping to ensure a fairer Council Tax system in Wales



# Summary

## What is the problem?

Household finances have been hit hard by the Covid-19 crisis, leaving many people in Wales struggling to pay their Council Tax bills.

**We estimate that since the start of the crisis, 64000 households in Wales have fallen behind on Council Tax payments.** Citizens Advice research has previously shown that many people in Council Tax arrears are unable to afford their bills, rather than willfully avoiding payment.<sup>1</sup>

The current regulations governing Council Tax collection in Wales push councils to use collection methods that can worsen debt problems.. Extra charges and fees incurred mean that debts can spiral out of control, while the use of bailiffs causes unnecessary distress for people in vulnerable circumstances.

Whilst the Council Tax Reduction Scheme is a vital source of support, it is not always effective in supporting people on low incomes to meet their Council Tax liability.

## What needs to change?

There are several key changes that the next Welsh Government should make in order to support people who have difficulty keeping up with Council Tax payments.

1. **Evaluate the impact of the Council Tax Protocol for Wales**, and commit to place the voluntary measures it contains on a statutory footing if there is evidence that Local Authorities are not, in practice, implementing the protocol.
2. **Change the regulations governing the collection of Council Tax to ensure they do not push people further into debt.**
  - Stopping people becoming liable for their annual bill when they miss one payment
  - Giving councils more powers to collect debt in a fair way without getting a liability order first
3. **Maximise the support provided to low-income households through the Council Tax Reduction Scheme.**

1. Citizens Advice, [The Costs of Collection](#), April 2019

## The Covid-19 pandemic has left households struggling to keep up with bills

Even before the Coronavirus pandemic, 1 in 7 people in Wales said they had struggled to keep up with their Council Tax bills.<sup>2</sup> The coronavirus crisis has meant many households have lost jobs or seen their incomes reduced. 2 in 5 (42%) people in Wales saw their household income drop because of the crisis,<sup>3</sup> and 125,000 more people are Universal Credit claimants compared to before the pandemic.<sup>4</sup>

This has left more people struggling to keep up with household bill payments. In November, we found that around 64,000 households had fallen behind on Council Tax bills since the start of the pandemic, with an estimated value of £13m in arrears.<sup>5</sup> The Welsh Local Government Association has reported that it expects to see around £25m less Council Tax collected in Wales as a result of the crisis this year.<sup>6</sup>

Some groups are more likely to have built up household bill debts. Our research shows that families with children, people who are unemployed or have seen a negative impact of the crisis on their work, and those with a disability or long term health condition are more likely to have fallen behind on household bills.<sup>7</sup> As the job protection schemes draw to an end and the £20 uplift for Universal Credit claimants is withdrawn in the summer, many more households will be facing vastly reduced incomes. This will also likely disproportionately impact households on a low income.<sup>8</sup>

2. Citizens Advice Cymru, [The Potential Impact of Coronavirus on Council Tax Arrears](#), April 2020

3. Citizens Advice Cymru, [Facing the cliff edge](#), May 2020

4. DWP, [People on Universal Credit](#), Feb 2021

5. Citizens Advice Cymru, [Coronavirus Debts Wales](#), Nov 2020

6. [WLGA evidence to the ELGC Inquiry into Covid-19 and its impact](#), July 2020

7. Citizens Advice Cymru, [Coronavirus Debts Wales](#), Nov 2020

8. Policy in Practice, [Understanding the impact of Covid-19 on the Council Tax Reduction Scheme in Wales: Interim Findings](#), Feb 2020

9. Citizens Advice commissioned YouGov to carry out an online survey research, undertaken between 22 Oct - 2 Nov 2020.

## Since the start of the pandemic



**7 in 10 people** who have fallen into Council Tax arrears have also fallen behind on other household bills, like rent or utilities.



**1 in 3 people** in Council Tax arrears say they haven't been able to afford food or other necessities



People who saw a **negative change to their employment** were 2.5 times more likely to say they had fallen behind on Council Tax bills.<sup>9</sup>

## Collection practices can escalate debt problems

The current regulations governing Council Tax debt collection push councils to use collection methods that can worsen debt problems, rather than helping people get their finances on track. This is because:

- **People can be made liable for the full annual bill after missing a single Council Tax payment.** This means one missed payment can increase someone's debt significantly, and leave them more at risk of being subject to bailiff action.
- **Councils have limited powers to recover debt without getting a court order.** This pushes councils to use the court process very quickly and often leads to people incurring extra charges.
- **Pressure to collect arrears quickly means councils regularly refer debt to bailiffs.** This process adds extra fees to people's debts and can cause significant distress.

Whilst low income households are people in serious financial difficulty are more likely to struggle with Council Tax payments, the way that Council Tax debt is collected doesn't take this into account.

## The Council Tax Protocol for Wales

The creation of a **Council Tax Protocol for Wales** was a welcome recognition of the need for a fairer Council Tax arrears collections process.<sup>10</sup>

The protocol provides guidelines for local authorities on how to deal with Council Tax debt to avoid unnecessary harm or the worsening of debts through guidance such as:

- Encouraging affordable repayment plans that take the income of the debtor into account.
- Pausing enforcement action where a person is identified as being in vulnerable circumstances.
- Providing clear information on local authority websites about Council Tax collection processes and available debt support.

Despite this, the experiences of Citizens Advice clients suggest that many people continue to face problems because of the way that Council Tax is collected.

As the protocol is voluntary, there is still no statutory responsibility on Local Authorities to enforce Council Tax arrears in a way which does not push people further into debt. This means people in severe financial difficulty are still at risk of seeing their problems worsen as a result of collection practices.

10. WLGA, [Council Tax Protocol for Wales](#), April 2019

## Fees and charges push people further into debt

Citizens Advice research has shown that collection methods can cause Council Tax debts to spiral out of control.<sup>11</sup>

In Wales, obtaining a liability order through the courts can add a charge of up to £70<sup>12</sup>, while bailiff fees can cost up to £310.<sup>13</sup> In addition, if people are made liable for their full annual bill after missing a payment, the amount they immediately owe will drastically increase. All of this means an original missed payment of £159 could result in a total debt of over £2000.

Using the average disposable income of a Citizens Advice Council Tax debt client, **the added fees alone could take approximately 24 months to pay off.**

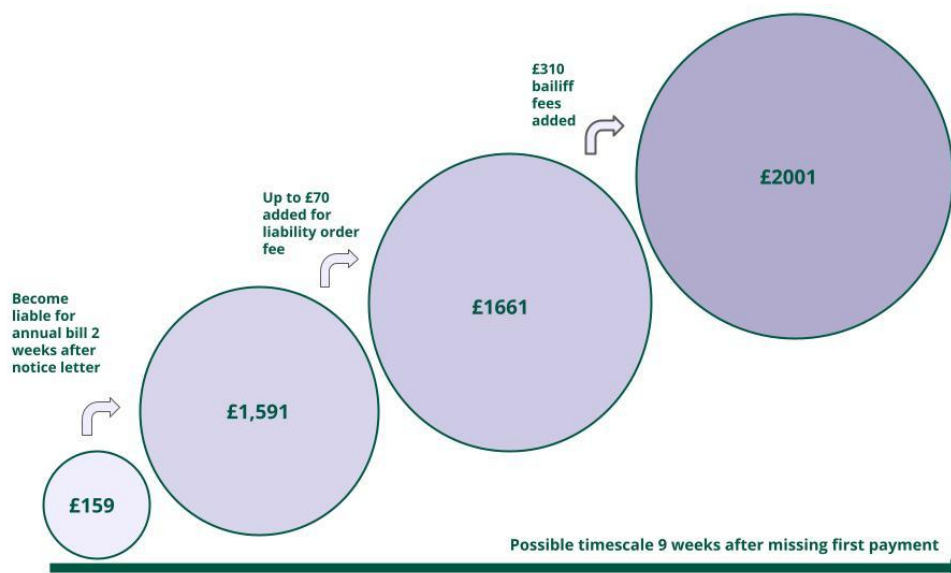


Figure 1: How Council Tax debts are increased through the collection process

## Falling behind on Council Tax is often a sign of wider financial difficulties

Many people who are behind on their Council Tax are in financial difficulty or living in vulnerable circumstances. Research from the Wales Centre for Public Policy has outlined the key reasons why people accrue public service debts, including job loss, changes in income, benefit cuts and changes, falling real wages, the increase in the general cost of living, alongside specific increases such as higher rents or Council Tax.<sup>14</sup>

The people that Citizens Advice Cymru are often struggling to keep up with day costs. People with Council Tax arrears who come to us for specialist debt advice have on average **£16 remaining each month** after paying for essentials. 2 in 5 had less than £0 remaining.<sup>15</sup>

The way that Council Tax is designed means that bills are already proportionately higher for low income families.<sup>16</sup> For people who are struggling to pay their Council Tax, additional fees and charges are often unaffordable and make it difficult for them to get their finances back on track.

11. Citizens Advice, [The Costs of Collection](#), April 2019

12. This fee is capped at £70 in Wales ([The Council Tax and Non-Domestic Rating \(Amendment\) \(Wales\) Regulations 2011](#))

13. Citizens Advice website, [Check what fees bailiffs can charge](#), (Accessed on 15/3/2021)

14. WCPP, [Responding to Citizens in Debt to Public Services](#), Feb 2019

15. Citizens Advice, Money Advice Recording Tool data for the years 2017-2019

16. IFS, [Revaluation and reform of council tax in Wales](#), April 2020

## Poor collection practices also cause unnecessary distress

Current collection methods for Council Tax arrears can make debt unmanageable. This can exacerbate the impact of indebtedness on people's mental health and have knock on effects in other areas of people's lives.<sup>17</sup>

Rapid escalation to court procedures and the threat of enforcement action for Council Tax arrears leave people panicking about how to repay. Using bailiffs to recover arrears is particularly detrimental where someone has mental health problems or is living in vulnerable circumstances.

While the Council Tax Protocol for Wales recognises the need for additional support to help vulnerable customers, we continue to see cases where bailiffs are not acting appropriately.

17. Citizens Advice, [The Costs of Collection](#), April 2019

18. Citizens Advice Cymru, [The Potential Impact of Coronavirus on Council Tax Arrears](#), April 2020

19. Figures are from polling conducted by YouGov Plc on behalf of Citizens Advice undertaken between 22 Oct - 2 Nov 2020

### Ana's story

Ana lives in South Wales with their teenage children. Ana is unable to work due to the coronavirus lockdown and is living on a very low income. This has caused Ana to fall behind on Council Tax payments this year.

Ana has no other debts and wishes to repay their arrears, however the local council rejected the repayment offer Ana would find affordable at the moment. Despite some local authorities maintaining a pause on enforcement action, Ana's debt was passed to enforcement agents who have repeatedly turned up at their home and attempted to enter the front and back doors of the house to take goods.

Ana recently lost their father to the coronavirus disease and is suffering with bereavement in addition to existing mental health problems. Visits from enforcement agents are exacerbating Ana's anxiety and making it hard for them to manage the situation.



People experiencing **mental health difficulties** are nearly **3 times as likely to have missed a Council Tax payment** in the past 2 years.<sup>18</sup>

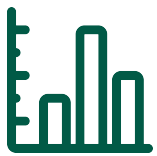


Since the Coronavirus outbreak, people experiencing **limiting mental health conditions** have been **twice as likely to have fallen into debt**.<sup>19</sup>



# The Council Tax Reduction Scheme is vital but does not always provide enough support for low-income families

The Council Tax Reduction Scheme (CTRS) is a crucial source of support for people who are struggling to pay their Council Tax bills. Research has found that councils with more generous Council Tax Reduction schemes tend to also have better Council Tax collection rates, as households that are less able to pay are required to pay less.<sup>20</sup> However, the scheme is not always effective in supporting people on low incomes to meet their Council Tax liability.



Research in 2017 estimated that uptake of CTRS was as low as 55-65%.<sup>21</sup>



Only half of people in Wales believe that someone claiming Universal Credit would be entitled to a reduction on their Council Tax bill.

**Not everyone who is entitled to a Council Tax reduction is accessing it.** Research from the Wales Centre for Public Policy has previously found that a significant number of people in Wales aren't receiving a Council Tax reduction, despite being entitled.<sup>22</sup> Citizens Advice Cymru research has found that awareness of the support is low, with only half of people in Wales believing that someone claiming Universal Credit would be entitled to a reduction on their Council Tax bill.<sup>23</sup>

**Some people are losing out on support as a result of moving onto Universal Credit.** Our advisers report that the people they help are not always aware they need to make a separate application for CTRS, and are therefore falling into Council Tax arrears without knowing it. Some parents and working households may also find their CTRS awards are lower when moving onto Universal Credit, as a result of how entitlement is calculated for people receiving the new benefit.

**Not all households who struggle to meet the cost of their bills are entitled to CTRS.** Council Tax payments can place a high cost burden on low-income households as they tend to pay more as a proportion of their income, depending on the property they live in.<sup>24</sup> This means that families who are not eligible for full CTRS may still struggle to afford their bills

20. Policy in Practice, [Council Tax debt collection and low-income Londoners](#), December 2020

21. Wales Centre for Public Policy, [Responding to citizens in debt to public services](#), Feb 2019

22. Wales Centre for Public Policy, [Responding to citizens in debt to public services](#), Feb 2019

23. Citizens Advice commissioned Opinium to carry out an online survey Advice between 2nd - 9th April 2020

24. IFS, [Revaluation and reform of council tax in Wales](#), April 2020

# What needs to change?

Household finances have been hit hard by the Covid-19 crisis, leaving many people in Wales struggling to pay their Council Tax bills.

We know that many of the people who have fallen behind on Council Tax payments are in severe financial difficulty. There is a real risk that some people will be pushed further into debt as Local Authorities seek to recover arrears. At the same time, not everyone who is struggling to pay their bills is getting the support they need through the Council Tax Reduction Scheme.

There are several key changes that the next Welsh Government should make in order to support people who have difficulty keeping up with Council Tax payments.

1. **Evaluate the impact of the Council Tax Protocol for Wales.** It should also commit to placing the voluntary measures it contains on a statutory footing if there is evidence that Local Authorities are not implementing the protocol in a way which ensures that Council Tax collection is fair and protects people in vulnerable circumstances.

2. **Change the regulations governing the collection of Council Tax to ensure they do not push people further into debt.** It should make changes to ensure that Council Tax debts are not enforced in a way that exacerbates financial difficulties. This should include:

- Helping to prevent Council Tax debts from escalating by stopping people becoming liable for their annual bill when they miss one payment
- Making it easier for councils to improve collection by giving them more powers to collect debt in a fair way without getting a liability order first

3. **Maximise the support provided to low-income households through the Council Tax Reduction Scheme.** It should seek to increase take up of the scheme and guarantee that people eligible for the scheme do not lose out as a result of moving onto Universal Credit.





# References

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- Citizens Advice commissioned Opinium to carry out an online survey of 501 adults in Wales. Fieldwork was conducted between 2 - 9 April 2020. Data was weighted by age and gender to be representative of the adult population in Wales.
- Citizens Advice, Money Advice Recording Tool anonymised service data from our debt clients for the years 2017-2019
- Citizens Advice commissioned YouGov to carry out an online survey of 2,086 adults in Wales. Fieldwork was undertaken between 22 Oct - 2 Nov 2020. The figures have been weighted and are representative of all Welsh adults (aged 18+).
- Citizens Advice website, [Check what fees bailiffs can charge](#), (Accessed on 15/3/2021)
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- Citizens Advice, [A law unto themselves: How bailiffs are breaking the rules](#), November 2018
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- Compare the Market, [HOUSEHOLDS EXPECT IT COULD TAKE THREE YEARS FOR FINANCES TO RECOVER FROM COVID](#), February 2021
- DWP, [People on Universal Credit](#), February 2021
- ELGC Committee Evidence Session 16/07/2020, <https://record.senedd.wales/Committee/6416#A59372>, June 2020
- Figures are from polling conducted by YouGov Plc on behalf of Citizens Advice. Total sample size was 1002 adults and fieldwork was undertaken between 27th February - 2nd March 2020. The survey was carried out online. The figures have been weighted and are representative of all Welsh adults (aged 18+).
- IFS, [Revaluation and reform of council tax in Wales](#), April 2020
- Policy in Practice, [Understanding the impact of Covid-19 on the Council Tax Reduction Scheme in Wales: Interim Findings](#), February 2021
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- Wales Centre for Public Policy, [Responding to citizens in debt to public services](#), February 2019
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- Welsh Government, [£5.5m funding boost for council tax support scheme](#). February 2021
- Welsh Government, [Reforming local government finance in Wales: summary of findings](#), February 2021
- WLGA, [Council Tax Protocol for Wales](#), April 2019

**Note:** the included case study comes from qualitative research with Citizens Advice debt clients. The client has been given a different name to preserve their anonymity

# Free, confidential advice. Whoever you are.

We help people overcome their problems and campaign on big issues when their voices need to be heard.

We value diversity, champion equality, and challenge discrimination and harassment.

We're here for everyone.



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